

Dompe Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 02 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 16 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Dompe Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial statements

1.3.1 Accounting Policies

An accounting policy had not been identified to account the fixed assets. The minimum value required for accounting a fixed asset, nature of the assets and the life span had not been considered for identification as an assets. Instead, items possessing very minute values and which cannot be sold so as to obtain cash had been included in the accounts as fixed assets.

1.3.2 Accounting Deficiencies

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- (a) Three steel cupboards valued at Rs.101,450, 02 computer printers and 06 computer accessories purchased in 2017 had not been brought to account.
 - (b) Six water tank stands valued at Rs.161,400 which had been produced on a request made by the Sabha in 2017 had not been brought to account.
 - (c) The cash in hand as per summarized cash book (P.S 5) of the Dompe Sub office amounted to Rs.21,877 whereas it had been shown as 25 cents in the accounts resulting in an understatement of the cash account balance by Rs.21,877.
 - (d) A provision of Rs.3,200,000 had been made for purchasing a generator. This had been entered in the creditors' account without specifically identifying a creditor and had been written off as an expenditure in the Income and Expenditure Account.

- (e) The values of 15 garbage carts, 03 wheel barrows and a Lumala bicycle had been overstated. As a result, the Motor Vehicle and Cart Accounts had been overstated by Rs.146,482.
- (f) Assets valued at Rs.11,414,068 as per board of survey report as at 31 December 2017 had not been shown in the accounts for the year 2017.
- (g) Four hundred and twenty three galvanized tubes at the head office building (old) had not been brought to account.

1.3.3 Unreconciled Accounts

The arrears of rates as per financial statements amounted to Rs.1,201,451 which had been shown as Rs.1,441,129 in the schedule resulting in a difference of Rs.239,678.

1.3.4 Lack of Necessary Documentary Evidence for Audit

Three items of accounts totalling Rs.142,388,155 could not be satisfactorily verified in audit due to non rendition of confirmations.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Section 24 of the Pradeshiya Sabha Act No.15 of 1987	-	Action had not been taken to prepare plans of all highways belonging to the Pradeshiya Sabha area, to publish the list of names in a gazette notification and to acquire them. All roads completed year by year had not been updated and entered in the register.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rule 193	-	Surpluses and/or deficits under each item of revenue and the surpluses or savings under each item of expenditure had not been explained by means of a statement as at end of each year and furnished to audit.

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|-----|--|---------|--|
| (c) | Financial Regulation 371 of the Democratic Socialist Republic of Sri Lanka | 150,556 | Ad hoc imprests should be settled immediately after the work is over. However, 2 advances paid in 1995 and 2008 had not been settled even by 31 December 2017. |
|-----|--|---------|--|

1.3.6 Transactions without Adequate Authority

Arrears of rates and taxes amounting to Rs.163,313 had been written off against the Accumulated Fund without the approval of the Minister of Local Government.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.47,974,046 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.54,646,630.

2.2 Financial Control

- (a) Surplus amount of over Rs.20 million continued to be in the Current Account No.202 – 1 – 001-8-4641360 from the commencement of the year. This amount had not been considered for suitable investments which could bring economic benefits.

- (b) The Sabha's objective is to spend its fund in a planned manner so as the public could derive maximum benefits. However, the sum of Rs.147.17 million belonging to the Sabha had been invested in 08 fixed deposits.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	5,826,661	6,385,571	6,232,235	1,201,451	5,957,289	6,052,053	7,035,074	1,607,024
Rent	10,752,705	10,752,704	10,819,858	61,350	7,880,395	10,729,109	8,031,793	128,504
Licence Fees	1,129,000	1,029,000	919,000	-	1,278,188	1,638,912	1,291,009	-
Other Revenue	167,301,715	167,301,715	167,038,988	-	197,254,488	156,795,699	266,538,576	-

2.3.2 Performance in Collection of Revenue

The previous years' actual revenue of Rs.228.8 million compared with the revenue of the year under review amounting to Rs.185 million shows a clear exposure of decrease amounting to Rs.97.8 million. The reason was the decrease in other revenue represented by stamp fees and revenue from industries.

2.3.3 Rates and Taxes

- (a) The balance of arrears of rates as at 31 December 2017 amounted to Rs.1,441,129. Included in this were Rs.248,602 of 5 to 10 years and Rs.366,551 over 10 years as shown below. Action had not been taken in terms of Section 158(1) of the Pradeshiya Sabha Act No.15 of 1987 to recover these arrears.

Sub Office	Less than 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	Total arrears of Revenue	Percent age
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	%
Weke	106,564	49,747	69,816	48,627	9,949	284,703	19.7
Dompe	58,895	43,396	10,752	62,066	107,233	282,342	19.5
Keragala	17,219	17,406	8,410	6,363	13,842	63,240	4.3
Pugoda	<u>93,700</u>	<u>274,403</u>	<u>78,668</u>	<u>131,546</u>	<u>235,527</u>	<u>813,844</u>	56.3
	<u>276,378</u>	<u>384,952</u>	<u>167,646</u>	<u>248,602</u>	<u>366,551</u>	<u>1,444,129</u>	

- (b) The final assessment of rates and taxes had been made in 2014. However, all the 4 sub offices had revised rates and taxes for 2017 on the basis of assessment made in 2008. As such, the revenue from annual rates and taxes was at a low level.
- (c) Two hundred and fifty units of rates based on poverty existed in the Weke sub office whereas it was 05 at Dompe. Proper procedure had not been followed for exemption from payment of rates and taxes based on poverty.
- (d) The arrears of rates and taxes of the Kirindiwela Zonal Education Office aggregated Rs.144,068 made up of Rs.63,588 of less than 05 years, Rs.67,847 of 05 – 10 years and Rs.12,633 over 10 years. Action had not been taken to recover these arrears.

2.3.4 Licence Fees

- (a) Requests for renewal of environmental protection licences valid for 03 years should be made 03 months ahead of its expiry date. However, 09 institutions had not renewed their licences even by 16 March 2018.

- (b) Three institutions continued with their industries without environmental licences.
- (c) Follow up action had not been taken to confirm whether the instructions of the Sabhahad been followed, while renewing the environmental protection licences.

2.3.5 Other Revenue

Telecommunication Towers

Action had not been taken to carry out a survey regarding telecommunication towers within the area of the Pradeshiya Sabha and to enact bye-laws on the basis of Gazette Extra Ordinary No.1597/8 of 17 April 2009 so as to increase the revenue. Rates and taxes had been recovered from 2 towers only during the year under review.

2.3.6 Court Fines and Stamp Fees

Court fines of Rs.07 million and stamp fees of Rs.40 million were due as at 31 December of the year under review.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act. such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye-Laws

Bye-laws were required to be enacted for fulfilling 18 main functions under Section 126 of the Pradeshiya Sabha Act. But bye-laws had been enacted for 15 functions only even by 31 December 2017.

(b) Action Plan

Annual action plan had not been prepared for 18 functions to be executed by the Sabha as per bye-laws enacted.

(c) Delays in execution of Work

An estimated cost of constructing the Keragala New Ayurveda building amounted to Rs.1,809,465. A sum of Rs.706,815 had been spent in this connection by 31 December 2017 and 40 per cent of the estimated work only had been completed.

(d) Work Abandoned

Eleven projects under the capital programme of 1000 kilometres of renovations during the year under review had been abandoned.

(e) Solid Waste Material Management

A sum of Rs.18,312,036 had been spent on garbage management within the area of the Pradeshiya Sabha during the year under review. Observations appear below.

(i) Fees had not been determined in the budget to meet the expenditure incurred on annual garbage collection in terms of 18(1) of the Gazette Notification No.1560/06 of 30 July 2008.

(ii) The supervisory committee on health security methods had not been established even by 16 March 2018.

(f) Environmental Problems

One hundred and forty eight public complaints had been received at the Sabha regarding environmental problems during the year under review. The action taken from the date of receipt of the complaint till its end had not been entered in the register of complaints. Instead, entries had been made denoting to whom the complaint had been referred to. About 50 public complaints had not been solved during the year under review.

(g) Sustainable Development Target

Although the Sabha was aware of the 2030 Agenda of the United Nations Organization relating to the sustainable development objectives, the matters needed for supervising the functions to achieve the target had not been identified even by 22 June 2018.

3.2 Human Resources Management

The details of cadre as at end of the year under review appear below.

Grade	Approved	Actual	Vacancies	Excess
Senior	04	04	-	-
Tertiary	01	01	-	-
Secondary	60	53	07	01
Primary	<u>134</u>	<u>124</u>	<u>10</u>	-
	<u>199</u>	<u>182</u>	<u>17</u>	<u>01</u>

The following matters were observed.

- (a) Six vacancies in the posts of librarians existed for about 15 years.
- (b) Permanent appointments had been made for 18 primary posts such as, 07 sanitary labourers, 06 field labourers, 04 watchers and 01 pre-school teacher in terms of Public Administration Circular No.25/2014 of 19 December 2014. But, these had not been referred to the Director General of Management Services for inclusion in the approved cadre as per paragraph 05 of the said circular.
- (c) The assets and liabilities statement to be furnished by the executive officers in terms of the Declaration of Assets and Liabilities Act No.1 of 1975 and the Declaration of Assets and Liabilities Act No.74 of 1988 (Revision) had not been furnished.
- (d) Ten employees had obtained no pay leave for 264 days during the year. The management had not taken action to find out the cause for obtaining leave and to minimize the leave.
- (e) Six field officers had not furnished their future programmes of the year under review even by 16 March 2018.
- (f) Employees' loan of Rs.88,750 due from a lady officer remained unrecovered since 15 September 2016.

3.3 Operating Inefficiencies

- (a) Two stalls No.20 and No.21 of the ground floor and 04 stalls No.20, No.21, No.22 and No.24 of the first floor of the new trade complex had not been given on rent. According to the assessed value of 02 stalls of the ground floor, the revenue deprived of, for the period 2013 to 2017 amounted to Rs.198,000. The value of 04 stalls of the first floor had not been assessed.
- (b) Fish stalls No.02, No.04 and No.05 of the Weke sub office had not been given on lease/rent since 2013. The revenue deprived of, up to 31 December 2017 amounted to Rs.5,567,679.
- (c) Issue of compliance certificates for housing plans was at a low level.

3.4 Assets Management

3.4.1 Fixed Assets not entered in Registers

The register of fixed assets maintained at present had not been updated by entering particulars such as purchases, donations, newly capitalized assets etc.,

3.4.2 Annual Verification of Goods/Stocks

- (a) The following assets shown in the accounts had not been entered in the annual board of survey report.

	Sub Office	No. of Assets	Value
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			Rs.
(i)	Weke	03	109,352,354
(ii)	Pugoda	02	73,337,508
(iii)	Dompe	09	12,518,707

- (b) According to the goods verification report, there were shortages of 78 Damro plastic chairs at the Dompe sub office.

3.4.3 Idle/Under Utilized Assets

The Ministry of Local Government had given 423 galvanized tubes without a request made by the Sabha and these were lying under utilized at the old head office building.

3.5 Identified Losses

- (a) The Sabha had paid fixed water and electricity charges for the 4 fish stalls since 2016. But, action had not been taken to give them on lease for sale of fish or for any other useful purpose. Accordingly, the fixed charges paid for water and electricity during the past 2 years amounted to Rs.33,202 and Rs.22,040 respectively.
- (b) The Siyane Visual Performance Institution had not been utilized for any purpose at the commencement in 2016. Fixed charges for water and electricity continued to be paid and the payments made during 2 years amounted to Rs.6,955 and Rs.4,983 respectively.

3.6 Performance

Procurement Plan

The main procurement plan and the detailed annual plan for the year under review had not been prepared.

4. **Accountability and Good Governance**

Budgetary Control

The entire amount of Rs.16,280,000 provided in the budget for 2017 had been saved as a result of non-execution of the expected functions or due to lack of need.

5. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System	Deficiency
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(a) Revenue Administration	(i) Non assessment of rates and rent of stalls. (ii) Rates and taxes not being revised.
(b) Budgetary Control	(i) Lack of preparation of budget that could be practically applied. (ii) Lack of proper transfer of funds among Objects.
(c) Assets Management	(i) Purchases and issues of assets not being entered in registres. (ii) Lack of removal of assets from accounts which were not physically in existence. (iii) Title deeds or vesting orders not being obtained to confirm ownership of assets. (iv) Non maintenance of register of inventories
(e) Solid Waste Material Management	(i) Non recovery of garbage tax or fees. (ii) Garbage obtained without being segregated. (iii) Not minimizing the expenditure on disposal of garbage.